2008

ANNUAL REPORT

SGI CANADA Insurance Services Ltd.

SGI CANADA

Responsibility for Financial Statements

The consolidated financial statements are the responsibility of Management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of Management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of SGI CANADA Insurance Services Ltd. (the Corporation) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Corporation to carry out a valuation of the policy liabilities and to issue a report thereon to the shareholders and regulatory authorities. The valuation is carried out in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies. The actuary also makes use of Management information provided by the Corporation and the work of the external auditors in verifying the data used in the valuation.

The consolidated financial statements have been examined and approved by the Board of Directors. An Audit Committee, composed of members of the Board of Directors, meets periodically with financial officers of the Corporation and the external auditors. These external auditors have free access to this Committee, without Management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

KPMG have been appointed external auditors. Their responsibility is to report to the shareholder and regulatory authorities regarding the fairness of presentation of the Corporation's financial position and results of operations as shown in the consolidated financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Earl G. Cameron Acting President and CEO	Don Thompson Chief Financial Officer

February 19, 2009

Actuary's Report

To the Shareholder of SGI CANADA Insurance Services Ltd.

I have valued the policy liabilities of SGI CANADA Insurance Services Ltd. for its consolidated statement of financial position at December 31, 2008 and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the consolidated financial statements fairly present the results of the valuation.

Richard Gauthier
PricewaterhouseCoopers
Fellow, Canadian Institute of Actuaries

February 19, 2009

Auditors' Report

To the Shareholder of SGI CANADA Insurance Services Ltd.

We have audited the consolidated statement of financial position of SGI CANADA Insurance Services Ltd. as at December 31, 2008 and the consolidated statements of operations, comprehensive income (loss), changes in shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 19, 2009

Consolidated Statement of Financial Position

December 31	2008	2007
	(thousands of $)	
Assets		
Cash and cash equivalents (note 3)	$ 6,668	$ 8,664
Accounts receivable (note 4)	31,345	26,172
Deferred policy acquisition costs	9,042	7,354
Reinsurers' share of unearned premiums (note 10)	1,287	1,097
Future income taxes (note 12)	2,613	1,903
Investments (note 5)	158,774	151,507
Unpaid claims recoverable from reinsurers (notes 8 & 10)	25,542	32,119
Property, plant and equipment (note 7)	102	111
Other assets (note 6)	533	569
	$ 235,906	$ 229,496
Liabilities		
Accounts payable and accrued liabilities	$ 8,677	$ 9,126
Premium taxes payable	1,101	643
Amounts due to reinsurers (note 10)	15,890	19,182
Unearned reinsurance commissions	1,053	813
Unearned premiums	39,152	30,965
Provision for unpaid claims (note 8)	93,869	91,845
	159,742	152,574
Non-controlling interest	**1,862**	1,709
Shareholder's equity		
Share capital (note 9)	27,254	27,254
Contributed surplus	32,487	32,487
Retained earnings	18,950	15,444
Accumulated other comprehensive income (loss)	(4,389)	28
	74,302	75,213
	$ 235,906	$ 229,496

Commitments and contingencies (note 20)
(see accompanying notes)
On behalf of the Board:

Earl G. Cameron – Director

Randy Heise – Director

Consolidated Statement of Operations

year ended December 31	2008	2007
	(thousands of $)	
Gross premiums written	$ 75,772	$ 59,137
Net premiums written	$ 69,668	$ 55,785
Net premiums earned (note 10)	**$ 62,015**	$ 50,478
Claims incurred (note 10)	40,586	27,897
Commissions (note 10)	12,657	10,118
Administrative expenses (note 10)	9,634	7,478
Premium taxes (note 10)	2,294	1,911
Facility Association participation (note 18)	487	(133)
Total claims and expenses	**65,658**	47,271
Underwriting profit (loss)	**(3,643)**	3,207
Investment earnings (note 11)	7,773	7,733
Income before income taxes and non-controlling interest	**4,130**	10,940
Income taxes (note 12)	471	2,055
Income after income taxes and before non-controlling interest	**3,659**	8,885
Non-controlling interest	153	166
Net income	**$ 3,506**	$ 8,719

(see accompanying notes)

Consolidated Statement of Comprehensive Income (Loss)

year ended December 31	2008	2007
	(thousands of $)	
Net income	**$ 3,506**	$ 8,719
Other comprehensive loss, net of income taxes:		
Unrealized losses on available for sale financial assets arising during the year	(5,300)	(2,004)
Future income tax recovery on net unrealized losses	1,610	723
	(3,690)	(1,281)
Reclassification of net realized losses (gain) on sale of investments included in net income	(1,067)	347
Future income tax expense (recovery)	340	(118)
	(727)	229
Other comprehensive loss	**(4,417)**	(1,052)
Comprehensive income (loss)	**$ (911)**	$ 7,667

(see accompanying notes)

Consolidated Statement of Changes in Shareholder's Equity

year ended December 31	2008	2007
	(thousands of $)	
Share capital		
Balance, end of year	**$ 27,254**	$ 27,254
Contributed surplus		
Balance, end of year	**$ 32,487**	$ 32,487
Retained earnings		
Balance, beginning of year	$ 15,444	$ 6,579
Change in accounting policy	–	146
Net income	3,506	8,719
Balance, end of year	**$ 18,950**	$ 15,444
Accumulated other comprehensive income (loss)		
Balance, beginning of year	$ 28	$ –
Change in accounting policy	–	1,080
Other comprehensive loss	(4,417)	(1,052)
Balance, end of year	**$ (4,389)**	$ 28
Total shareholder's equity	**$ 74,302**	$ 75,213

(see accompanying notes)

Consolidated Statement of Cash Flows

year ended December 31	2008	2007
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Net income	$ 3,506	$ 8,719
Non-cash items:		
Amortization	414	115
Net realized loss (gain) on sale of investments	(1,067)	347
Future income taxes	673	1,000
Income from investments accounted for on the equity basis	(120)	(195)
Non-controlling interest	153	(83)
Change in non-cash operating items (note 15)	7,297	2,140
	10,856	12,043
Investing activities		
Purchases of investments	(199,241)	(267,191)
Proceeds on sale of investments	186,419	260,442
Purchases of property, plant and equipment	(30)	(78)
	(12,852)	(6,827)
Increase (decrease) in cash and cash equivalents	**(1,996)**	5,216
Cash and cash equivalents, beginning of year	8,664	3,448
Cash and cash equivalents, end of year	**$ 6,668**	$ 8,664
Supplemental cash flow information:		
Income taxes paid	$ 1,000	$ 1,823

(see accompanying notes)

Notes to the Consolidated Financial Statements

December 31, 2008

1. NATURE OF OPERATIONS

SGI CANADA Insurance Services Ltd. (the Corporation) was incorporated on July 18, 1990, under *The Business Corporations Act* (Saskatchewan). The Corporation holds a Saskatchewan provincial insurers' licence under *The Saskatchewan Insurance Act* and is licensed to conduct business in Alberta, Manitoba and Ontario. It conducts property and casualty business directly in Alberta and Manitoba, in Ontario through its wholly-owned subsidiary, Coachman Insurance Company (Coachman), and in Prince Edward Island, Nova Scotia and New Brunswick through its 75%-owned subsidiary, The Insurance Company of Prince Edward Island (ICPEI).

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia, which represent approximately 53% (2007 – 51%) of the Corporation's consolidated net premiums earned.

Saskatchewan Government Insurance (SGI CANADA) owns 100% of the Corporation and its financial results are included in the consolidated financial statements of SGI CANADA.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles (GAAP). The following are considered to be the Corporation's significant accounting policies:

Changes in accounting policies

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments – Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments – Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Sections 3862 and 3863 replaced Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

Consolidation

The consolidated financial statements include the accounts of the Corporation, its 100%-owned subsidiary, Coachman, and its 75%-owned subsidiary, ICPEI. All inter-company accounts and transactions have been eliminated on consolidation.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims (note 8), investment valuation (note 5) and income taxes (note 12).

Financial assets and liabilities

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial asset or liability has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in net income. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income, however, unrealized losses considered other than temporary continue to be recognized as a decrease to net income. Financial assets and liabilities designated as held to maturity, loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Corporation has no financial assets or liabilities designated as held for trading or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as available for sale, except for investments accounted for on the equity basis, which are exempt from Section 3855. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities and premium taxes payable are designated as other financial liabilities. Unpaid claims recoverable from reinsurers, amounts due to reinsurers and the provision for unpaid claims are exempt from Section 3855.

Investments

All investments are carried at fair value, except investments accounted for on the equity basis. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The fair value of bonds and debentures and common shares is determined based on quoted market values, based on the latest bid prices. The fair value of pooled equity funds is based on the quoted market values of the underlying investments, based on the latest bid prices.

Where the Corporation has investments in shares and exercises significant influence, the investments are accounted for on the equity basis and the Corporation's investment is adjusted for its share of the investee's net earnings or losses, and reduced by dividends received.

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into.

Investment earnings

The Corporation recognizes interest and premium financing revenue as earned, dividends when declared, pooled equity fund revenue when a distribution is declared, and investment gains and losses when realized.

Interest revenue includes amortization of any premium or discount recognized at date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Transaction costs are included in the acquisition cost of individual investments. Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and fair value is recorded in investment earnings as an investment write-down.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year. Unrealized foreign exchange gains and/or losses arising on investments designated as available for sale are included in other comprehensive income until realized, at which time they are reclassified from accumulated other comprehensive income to investment earnings. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

Premiums

Premiums written are taken into income over the terms of the related policies, no longer than 12 months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. The estimate includes the cost of reported claims and claims incurred but not reported, and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand less outstanding cheques.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the asset is placed in service, over the estimated useful lives of the assets as follows:

Leasehold improvements	5 years
Computer hardware, system costs and other equipment	3-5 years

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Corporation's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess, and is presented as a separate line item in the Consolidated Statement of Operations before extraordinary items and discontinued operations.

Future accounting policy changes

The CICA issued a new accounting standard that will become effective for the Corporation on January 1, 2009. The standard is Handbook Section 3064, *Goodwill and Intangible Assets*. Section 3064 reinforces that assets are recorded only if they meet the definition and recognition criteria for an asset and clarifies the application of the concept of matching costs with revenues. The standards concerning goodwill are unchanged from former Section 3062. The standard is not expected to have a material impact on the consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation's parent, SGI CANADA, has commenced an IFRS conversion project, for it and its subsidiaries, including initiating the development of a high-level IFRS implementation plan. An external advisor has been engaged by SGI CANADA to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable. However, such impact may be material. As part of the IFRS implementation, the Corporation plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

3. CASH AND CASH EQUIVALENTS

	(thousands of $)	
	2008	2007
Money market investments	$ 3,363	$ 5,955
Cash on hand, net of outstanding cheques	3,305	2,709
Total cash and cash equivalents	$ 6,668	$ 8,664

The average effective interest rate on the money market investments is 1.3% (2007 – 4.3%).

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	(thousands of $) 2008	2007
Due from insureds	$ 18,804	$ 15,660
Due from brokers	4,150	3,517
Facility Association (note 18)	3,806	3,675
Income taxes	2,166	949
Due from reinsurers	1,237	922
Accrued investment income	1,059	1,263
Other	123	186
Total accounts receivable	$ 31,345	$ 26,172

Included in due from insureds is $16,509,000 (2007 – $13,229,000) of financed premiums receivable, which represent the portion of our policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment income that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized in investment earnings over the period of the policy.

5. INVESTMENTS

The carrying values of the Corporation's investments are as follows:

	(thousands of $) 2008	2007
Short-term investments	$ 10,120	$ 15,847
Bonds and debentures	120,213	111,888
Pooled equity funds:		
Canadian	13,809	12,888
United States	7,361	4,612
Non-North American	5,604	4,626
Canadian common shares	337	303
Investments accounted for on the equity basis	1,330	1,343
Total investments	$ 158,774	$ 151,507

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

Short-term investments

Short-term investments are comprised of money market investments with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 2.3% (2007 – 4.4%) and an average remaining term to maturity of 87 days (2007 – 123 days). The Corporation's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

Bonds and debentures

The Corporation's investment policy states that the minimum quality standard for the purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Corporation's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. No more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers and all securities must be denominated in Canadian dollars.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

(thousands of $)

	2008		2007	
Term to maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
Government of Canada:				
One or less	$ 4,986	4.2%	$ –	–
After one through five	37,822	3.7%	55,632	4.4%
After five	1,186	4.2%	1,633	4.7%
Canadian provincial:				
One or less	2,232	5.3%	–	–
After one through five	14,982	5.7%	14,731	5.5%
After five	5,769	5.1%	5,166	4.9%
Canadian corporate:				
One or less	2,679	4.8%	2,723	4.5%
After one through five	36,788	5.0%	19,332	5.0%
After five	13,769	4.8%	12,671	4.6%
Total bonds and debentures	$ 120,213		$ 111,888	

Pooled equity funds

The Corporation owns units in Canadian, United States and non-North American pooled equity funds that have no fixed distribution rate. Fund returns are based on the success of the fund managers.

Canadian common shares

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 6.5% (2007 – 5.4%).

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Corporation's common shares portfolio. As well, no one holding may represent more than 10% of the voting shares of any corporation.

Investments accounted for on the equity basis

The Corporation has a 21.25% ownership interest in Charlie Cooke Insurance Agency Ltd., and a 25% ownership interest in Atlantic Adjusting & Appraisals Ltd. and Maritime Finance & Acceptance Corporation.

The fair value of investments accounted for on the equity basis is considered to approximate book value.

Unrealized loss positions

The following table presents available for sale investments with unrealized losses where the decline is considered temporary. The unrealized losses are recorded as a component of accumulated other comprehensive income.

(thousands of $)

	2008		2007	
	Carrying Value	Unrealized Losses	Carrying Value	Unrealized Losses
Bonds and debentures:				
Federal	$ 3,776	$ (23)	$ 36,096	$ (125)
Provincial and municipal	2,053	(38)	13,101	(104)
Corporate	28,056	(948)	28,099	(487)
Pooled equity funds:				
Canadian	13,809	(5,707)	–	–
United States	7,363	(914)	–	–
Non-North American	5,604	(1,796)	4,626	(209)
Canadian common shares	61	(20)	–	–
	$ 60,722	$ (9,446)	$ 81,922	$ (925)

As at December 31, 2008, the cost of 88 (2007 – 74) available for sale investments exceeded their fair value by $9,446,000 (2007 – $925,000). The unrealized losses on the bonds and debentures arose primarily from changes in interest rates. For pooled equity funds, unrealized losses are primarily the result of investment-specific business environment factors associated with the underlying equity investments.

The Corporation conducts a quarterly review to identify and evaluate investments that show indications of impairment. An investment is considered impaired if its fair value falls below its cost, and a write-down is recorded in investment earnings when the decline is considered other than temporary. Factors considered in determining

whether a loss is temporary include the length of time and extent to which fair value has been below cost, financial condition and near-term prospects of the issuer, and the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery. No investment write-downs were recorded during the current or prior year related to impairments that were considered other than temporary.

6. OTHER ASSETS

Other assets are comprised of the following:

	(thousands of $) 2008	2007
Goodwill	$ 481	$ 481
Prepaid expenses	52	88
Total	$ 533	$ 569

7. PROPERTY, PLANT AND EQUIPMENT

The components of the Corporation's investment in property, plant and equipment, as well as the related accumulated amortization, are as follows:

	(thousands of $) 2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 106	$ 44	$ 62	$ 68
Computer hardware, system costs and other equipment	876	836	40	43
Total	$ 982	$ 880	$ 102	$ 111

Amortization for the year is $39,000 (2007 – $36,000) and is included in administrative expenses on the Consolidated Statement of Operations.

8. PROVISION FOR UNPAID CLAIMS

Nature of unpaid claims

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances, and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date, and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the year-end date.

Factors used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a number of individuals, which necessarily involves risk that actual results may differ materially from the estimates.

Changes in the estimate for the provision for unpaid claims are as follows:

	(thousands of $) 2008	2007
Net unpaid claims, beginning of year	$ 59,726	$ 64,004
Change in accounting policies	–	(146)
Payments made during the year relating to:		
Prior year claims	(10,461)	(13,032)
Prior year service agreement claims	(1,383)	(3,215)
Prior year Facility Association claims	(988)	(624)
Deficiency (excess) relating to:		
Prior year estimated unpaid claims	(9,635)	(5,587)
Prior year estimated unpaid service agreement claims	(93)	(1,532)
Prior year estimated unpaid Facility Association claims	52	63
Net unpaid for claims of prior years	37,218	39,931
Provision for claims occurring in the current year	30,172	19,308
Provision for Facility Association claims occurring in the current year	937	487
Net unpaid claims, end of year	$ 68,327	$ 59,726

The fair value of the provision for unpaid claims and unpaid claims recoverable from reinsurers has not been provided because it is not practicable to determine fair value with sufficient reliability.

Type of unpaid claims

The provision for unpaid claims is summarized by line of business as follows:

(thousands of $)

	2008			2007		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
Automobile	$ 65,882	$ 22,806	$ 43,076	$ 64,812	$ 26,157	$ 38,655
Property	11,936	1,143	10,793	9,145	3,274	5,871
Liability	9,319	1,593	7,726	10,640	2,688	7,952
Service agreement	3,041	–	3,041	4,518	–	4,518
Facility Association (note 18)	3,691	–	3,691	2,730	–	2,730
Total	$ 93,869	$ 25,542	$ 68,327	$ 91,845	$ 32,119	$ 59,726

Service agreement

During 1998, a subsidiary of the Corporation, Coachman, issued an insurance policy to a vehicle rental company (the rental company). The policy provided bodily injury liability coverage on the rental company's vehicles being driven by its customers. The rental company paid Coachman an annual premium under this policy between $100,000 and $120,000. At the same time, Coachman made an agreement that allowed the rental company to settle and pay all claims submitted by its customers. Because the insurance coverage was in the name of Coachman, the rental company was required to report to Coachman quarterly on the status of all reported claims and the provision for unpaid claims. As security to guarantee the provision for unpaid claims, a trust account was to be maintained in an amount that would meet the funding of the outstanding liabilities related to the policy.

The agreement with the rental company expired on March 31, 2005. Subsequent to the expiration of the contract, the rental company filed for voluntary receivership. During the receivership proceedings, it was determined that the rental company had not reported claims correctly to Coachman, nor had it deposited the correct amounts in the trust account. Coachman has since collected the balance held in the trust account of $1,235,000.

Coachman is continuing legal action against certain of the parties involved to recover the shortfall related to this service agreement. Any recovery will be accounted for in the year of receipt.

Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities from various financial institutions. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the financial institutions default on the scheduled payments. As at December 31, 2008, no information has come to the Corporation's attention that would suggest any weakness or failure in the financial institutions from which it has purchased the annuities. Consequently, no provision for credit risk is required. The net present value of the scheduled payments as of the year-end date is $1,364,000 (2007 – $1,245,000).

9. SHARE CAPITAL

Authorized:

Unlimited number of common shares with no par value.

Unlimited number of non-voting first preferred shares.

	(thousands of $)	
Issued and fully paid:	2008	2007
6,155,616 common shares	$ 27,254	$ 27,254

10. UNDERWRITING POLICY AND REINSURANCE CEDED

The Corporation underwrites and reinsures contracts of insurance with SGI CANADA and other reinsurers, which limits the liability of the Corporation to a maximum amount on any one loss as follows:

	(thousands of $)	
	2008	2007
General liability and property	$ 500	$ 250
Automobile – liability	500	500
Catastrophe – automobile physical damage	1,000	250
Catastrophe – other	1,000	250

The following table sets out the amount by which reinsurance ceded has reduced the premiums earned, claims incurred, commissions, premium taxes and administrative expenses:

	(thousands of $)	
	2008	2007
Premiums earned	$ 5,914	$ 5,673
Claims incurred	1,204	5,531
Commissions and premium taxes	430	325
Administrative expenses	98	68

11. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $) 2008	2007
Interest	$ 4,429	$ 4,709
Premium financing	1,118	991
Net realized gain (loss) on sale of investments	1,068	(347)
Pooled equity fund distributions	1,025	2,175
Investments accounted for on the equity basis	120	195
Dividends	13	10
Total investment earnings	$ 7,773	$ 7,733

12. INCOME TAXES

The Corporation's provision for (recovery of) income taxes is as follows:

	(thousands of $) 2008	2007
Current	$ (202)	$ 1,055
Future	673	1,000
Total income taxes	$ 471	$ 2,055

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes and non-controlling interest. The reasons for the differences are as follows:

	(thousands of $) 2008	2007
Income before income taxes and non-controlling interest	$ 4,130	$ 10,940
Combined federal and provincial tax rate	35.78%	36.01%
Computed tax expense based on combined rate	$ 1,478	$ 3,939
Increase (decrease) resulting from:		
Changes to enacted tax rates	52	29
Non-deductible expenses for tax purposes	33	30
Investment earnings not subject to taxation	(1,069)	(71)
Valuation allowance	–	(1,896)
Other	(23)	24
Total income tax expense	$ 471	$ 2,055

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	(thousands of $) 2008	2007
Future income tax assets		
Tax loss carryforward	$ 1,620	$ 1,993
Provision for unpaid claims	2,074	1,836
Other	26	29
Total future income tax assets	3,720	3,858
Future income tax liabilities		
Investments	655	1,158
Unpaid claims recoverable from reinsurers	452	797
Total future income tax liabilities	1,107	1,955
Net future income tax assets	$ 2,613	$ 1,903

The Corporation has non-capital loss carryforwards of $5,492,000 that expire in 2018 (2007 – $5,949,000 that expire in 2015).

13. FINANCIAL RISK MANAGEMENT

The nature of the Corporation's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors. The SIP&G provides guidelines to the investment manager for the asset mix of the portfolio regarding quality and quantity of investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment manager and custodian regarding compliance with the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from its customers, brokers and reinsurers) and certain investments. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of the financial assets recognized as follows:

	(thousands of $)	
	2008	2007
Cash and cash equivalents	$ 6,668	$ 8,664
Accounts receivable	31,345	26,172
Fixed income investments [1]	130,333	127,735
Unpaid claims recoverable from reinsurers	25,542	32,119

[1] Includes short-term investments and bonds and debentures

Cash and cash equivalents include money market investments of $3,363,000 plus cash on hand, net of outstanding cheques of $3,305,000 (2007 – money market investments of $5,955,000 plus cash on hand, net of outstanding cheques of $2,709,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts owing from the Facility Association (note 18) and from brokers across the provinces that SGI CANADA Insurance Services Ltd. operates in. Accounts receivable consist of balances outstanding for one year or less.

	(thousands of $) 2008	2007
Current	$ 31,383	$ 26,036
30-59 days	133	16
60-89 days	12	15
Greater than 90 days	274	593
Subtotal	31,802	26,660
Allowance for doubtful accounts	(457)	(488)
Total	$ 31,345	$ 26,172

Provisions for credit losses are maintained in an allowance account and regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted. Details of the allowance account are as follows:

	(thousands of $) 2008	2007
Allowance for doubtful accounts, opening balance	$ 488	$ 345
Accounts written off	(358)	(157)
Current period provision	327	300
Allowance for doubtful accounts, ending balance	$ 457	$ 488

Credit risk within investments is primarily related to short-term investments and bonds and debentures. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bonds and debentures investments are as follows:

	(thousands of $) 2008		2007	
Credit Rating	Fair Value	Makeup of Portfolio	Fair Value	Makeup of Portfolio
AAA	$ 56,135	46.7%	$ 65,933	58.9%
AA	29,757	24.8%	26,967	24.1%
A	31,066	25.8%	18,750	16.8%
BBB	3,255	2.7%	238	0.2%
Total	$ 120,213	100.0%	$ 111,888	100.0%

Within bonds and debentures investments, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

Credit risk associated with reinsurers is managed through regular monitoring of credit ratings of the reinsurers utilized by the Corporation. Reinsurers' credit ratings range from AA+ to A- based on the most recent ratings by A.M. Best.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments and bonds and debentures. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase other comprehensive income and accumulated other comprehensive income by $4 million at December 31, 2008, representing 3.1% of the $130 million fair value of fixed income investments.

Foreign exchange

The Corporation is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. pooled equity fund investments, purchases of goods and services that are denominated in U.S. dollars, and a portion of claims and reinsurance receivables and payables denominated in U.S. dollars. Also, the Corporation is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in the non-North American pooled equity fund. Exposure to both the U.S. equity and non-North American equity markets is limited to a maximum 7% each of the market value of the total investment portfolio, excluding investments accounted for on the equity basis. At December 31, 2008, the Corporation's exposure to U.S. equities through its U.S. pooled equity fund, was 4.7% (2007 – 3.0%) and its exposure to non-North American equities, through its non-North American pooled equity fund, was 3.6% (2007 – 3.1%).

At December 31, 2008, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $736,000 decrease/increase in other comprehensive income and accumulated other comprehensive income. A 10% appreciation/depreciation in the Canadian dollar versus the EAFE currencies would result in approximately a $560,000 decrease/increase in other comprehensive income and accumulated other comprehensive income. As the U.S. pooled equity fund and the non-North American pooled equity fund are classified as available for sale, any unrealized changes due to foreign currency are recorded as other comprehensive income and do not directly impact net income until the investment is sold.

There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets through its investment in pooled equity funds and Canadian common shares. Pooled equity funds and Canadian common shares comprise 17.3% (2007 – 14.8%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The following table indicates the approximate change that would be expected to both other comprehensive income and accumulated other comprehensive income based on changes in the Corporation's benchmark indices at December 31, 2008:

	(Change in thousands of $)	
Change in Equity Benchmarks	10% increase	10% decrease
S&P/TSX Composite Index	$ 1,415	$ (1,415)
S&P 500 Index	736	(736)
MSCI EAFE Index	560	(560)

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities.

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31:

	(thousands of $) 2008					
	Carrying amount	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 8,677	$ 8,677	$ –	$ –	$ –	$ –
Premium taxes payable	1,101	1,101	–	–	–	–
Amounts due to reinsurers	15,890	15,861	29	–	–	–
Provision for unpaid claims	93,869	18,840	14,482	19,658	26,335	14,554
	$ 119,537	$ 44,479	$ 14,511	$ 19,658	$ 26,335	$ 14,554

	(thousands of $) 2007					
	Carrying amount	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 9,126	$ 9,126	$ –	$ –	$ –	$ –
Premium taxes payable	643	643	–	–	–	–
Amounts due to reinsurers	19,182	19,015	167	–	–	–
Provision for unpaid claims	91,845	18,433	14,170	19,234	25,768	14,240
	$ 120,796	$ 47,217	$ 14,337	$ 19,234	$ 25,768	$ 14,240

14. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings, share capital and cash injections in the form of contributed surplus from its parent, SGI CANADA. There were no changes to the Corporation's capital structure during the period.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

The Corporation is a regulated insurer, and as such, is subject to rate regulation related to its automobile premiums. Regulators require insurers to maintain a level of capital sufficient to achieve an MCT of 150%. The Corporation's objective is to maintain capital sufficient to achieve the industry average MCT, a level in excess of the regulatory minimum. The Corporation has established an objective to maintain its MCT at a level based upon the Canadian insurance industry. For 2008 that target was an MCT level of 316% (2007 – 307%). At December 31, 2008, the Corporation's MCT was 378% (2007 – 444%). There have been no changes to the Corporation's capital management processes and measures since the prior year-end.

15. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

	(thousands of $) 2008	2007
Accounts receivable	$ (5,031)	$ 1,840
Deferred policy acquisition costs	(1,688)	(1,630)
Reinsurers' share of unearned premiums	(190)	(232)
Unpaid claims recoverable from reinsurers	6,577	(2,615)
Other assets	36	(48)
Accounts payable and accrued liabilities	(24)	(3,203)
Premium taxes payable	458	267
Amounts due to reinsurers	(3,292)	3,581
Unearned reinsurance commissions	240	53
Unearned premiums	8,187	5,790
Provision for unpaid claims	2,024	(1,663)
	$ 7,297	$ 2,140

16. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end are as follows:

Category	(thousands of $) 2008	2007
Accounts receivable	$ 12	$ 15
Investments	2,192	1,694
Claims incurred	5	11
Administrative expenses	445	293
Investment earnings	101	82

SGI CANADA provides management and administrative services to the Corporation as well as being one of its reinsurers (note 10). Administrative and loss adjusting expenses incurred by SGI CANADA and charged to the Corporation were $4,370,000 (2007 – $3,125,000) and accounts payable are $2,319,000 (2007 – $1,415,000). Related to the Corporation's reinsurance agreement with SGI CANADA is $14,911,000 (2007 – $18,245,000) of unpaid claims recoverable and $847,000 (2007 – $854,000) of interest paid included in investment earnings.

Amounts due to reinsurers includes $15,012,000 (2007 – $18,326,000) due to SGI CANADA. Reinsurance ceded to SGI CANADA has reduced premiums earned by $3,150,000 (2007 – $3,451,000) and increased claims incurred by $131,000 (2007 – reduced by $5,672,000).

The Corporation has direct premiums that are brokered through Charlie Cooke Insurance Agency Ltd. (CCIA), pays claim adjusting fees to Atlantic Adjusting & Appraisals Ltd. (AAA) and has premiums financed for policyholders by Maritime Finance & Acceptance Corporation (MFAC). These companies are affiliated with the minority shareholder of ICPEI, who is a member of ICPEI's senior management. The policies written and the claim adjusting expenses paid are routine operating transactions in the normal course of business.

In 2007, the Corporation provided CCIA a $450,000 loan for the purpose of purchasing a brokerage. The terms of the agreement provide for repayment in six annual instalments of $75,000 and require CCIA to maintain minimum premium limits. The loan was originally recorded at its fair value of $381,000, calculated by discounting the scheduled instalments at an interest rate that reflects the term and credit risk associated with the loan. At December 31, 2008 the loan is recorded at its amortized cost of $326,000. During the year, $75,000 was repaid and interest revenue of $20,000 was recorded through investment earnings.

Transactions and amounts outstanding between the Corporation and CCIA, AAA and MFAC at year-end are as follows:

	(thousands of $)	
Category	2008	2007
Accounts receivable	$ 978	$ 928
Accounts payable and accrued liabilities	842	648
Premiums written	10,737	8,651
Claims incurred	522	387
Commissions	2,468	1,838
Premiums financed	3,841	3,471

One of the Corporation's subsidiaries, ICPEI, has a director who is the owner of an organization that provided professional services to ICPEI. During the current year, these services amounted to $16,000 (2007 – $21,000).

Other related party transactions are disclosed separately in the notes to the financial statements.

17. FAIR VALUE

The fair value of financial assets and liabilities, other than investments (note 5), provision for unpaid claims and unpaid claims recoverable from reinsurers (notes 8 and 10), approximate carrying value due to their immediate or short-term nature.

18. FACILITY ASSOCIATION PARTICIPATION

The Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $) 2008	2007
Gross premiums written	$ 3,052	$ 1,006
Net premiums earned	$ 2,706	$ 1,094
Claims incurred	2,464	831
Commissions	118	100
Premium taxes	87	36
Administrative expenses	684	199
Total claims and expenses	3,353	1,166
Underwriting loss	(647)	(72)
Investment earnings	160	205
Net income (loss)	$ (487)	$ 133
Facility Association receivable	$ 3,806	$ 3,675
Unearned premiums	797	462
Provision for unpaid claims	3,691	2,730
Facility Association payable	3,504	3,526

19. SEGMENTED INFORMATION

The Corporation provides property and casualty insurance through three operating segments: Manitoba and Alberta, Ontario and the Maritimes (where the Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). These operating segments correspond with the legal entities that make up the Corporation, as discussed in note 1. The performance of each operating segment is reported separately to the Corporation's Board of Directors.

(thousands of $)

2008	Manitoba and Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 31,715	$ 23,693	$ 14,260	$ –	$ 69,668
Net premiums earned	$ 26,441	$ 23,169	$ 12,405	$ –	$ 62,015
Claims incurred	21,291	12,670	6,625	–	40,586
Other expenses	10,880	8,346	5,846	–	25,072
Underwriting profit (loss)	(5,730)	2,153	(66)	–	(3,643)
Investment earnings	2,456	4,370	947		7,773
Income (loss) before the following:	(3,274)	6,523	881	–	4,130
Income taxes (recovery)	(1,564)	1,841	194	–	471
Non-controlling interest	–	–	–	153	153
Net income (loss)	$ (1,710)	$ 4,682	$ 687	$ (153)	$ 3,506
Total assets	$ 98,487	$ 116,284	$ 34,211	$ (13,076)	$ 235,906
Shareholder's equity	$ 28,798	$ 38,654	$ 8,712	$ (1,862)	$ 74,302

(thousands of $)

2007	Manitoba and Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 21,859	$ 23,182	$ 10,744	$ –	$ 55,785
Net premiums earned	$ 18,162	$ 22,836	$ 9,480	$ –	$ 50,478
Claims incurred	11,380	11,287	5,230	–	27,897
Other expenses	7,776	7,734	3,864	–	19,374
Underwriting profit (loss)	(994)	3,815	386	–	3,207
Investment earnings	2,530	4,391	812		7,733
Income before the following:	1,536	8,206	1,198	–	10,940
Income taxes	407	1,189	459	–	2,055
Non-controlling interest	–	–	–	166	166
Net income	$ 1,129	$ 7,017	$ 739	$ (166)	$ 8,719
Total assets	$ 94,496	$ 117,355	$ 32,511	$ (14,866)	$ 229,496
Shareholder's equity	$ 33,744	$ 34,816	$ 8,362	$ (1,709)	$ 75,213

20. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to annual payments under operating leases for buildings as follows:

	(thousands of $)
2009	$ 399
2010	400
2011	380
2012	294
2013	242
Thereafter	22

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operation of the Corporation.

21. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2007 balances have been reclassified to conform to 2008 financial statement presentation.